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RUEHGB/AMEMBASSY BAGHDAD PRIORITY 0039
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 1972
RUEHBUL/AMEMBASSY KABUL PRIORITY 0058
RUEHLO/AMEMBASSY LONDON PRIORITY 1292
RUEHFR/AMEMBASSY PARIS PRIORITY 1366
RUEHRH/AMEMBASSY RIYADH PRIORITY 6179
RUEHKP/AMCONSUL KARACHI PRIORITY 0027
RUEHPW/AMCONSUL PESHAWAR PRIORITY 0070
RUEAIIA/CIA WASHDC PRIORITY
RUEKJCS/DIA WASHDC PRIORITY
RHEHAAA/NSC WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 04 JEDDAH 000149

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E.O. 12958: DECL: 02/12/2015
TAGS: [EAID](#) [IZ](#) [KISL](#) [KPAL](#) [PK](#) [PREL](#) [SA](#) [SOCI](#)
SUBJECT: ACHIEVING DIALOGUE WITH ISLAMIC DEVELOPMENT BANK

REF: A. SECSTATE 10623
[1](#)B. E-MAIL OF 7 FEBRUARY 2006 FROM ALEXI MONSARRAT

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Classified By: Consul General Tatiana Gfoeller, for reasons 1.4 (b) and (d).

[1](#)1. (C) SUMMARY. On February 7, Consul General Gfoeller and Jeddah Pol/Econ Chief met with President of Islamic Development Bank (IDB) Al-Madani and senior staff members. CG delivered points in ref B. Al-Madani and his associates were cordial and forthcoming. In a wide ranging conversation Al-Madani outlined current IDB operations in Iraq, Afghanistan, and Pakistan. He also described program selection, implementation and auditing procedures within the IDB. The President welcomed the prospect of cooperation with USG aid organizations and immediately named a senior official of the Bank to act as point of contact with Consulate General Jeddah. The President promised to supply reports on IDB activities to ACG Jeddah. In a subsequent telephone conversation on February 12, an IDB official made preliminary plans for a meeting in March, during which Pol/Econ Chief would meet IDB Divisional Directors. END SUMMARY.

MEETING AND BIOGRAPHICAL NOTE

[1](#)2. (C) On February 7, 2006 Consul General Gfoeller and Jeddah Pol/Econ Chief met with Islamic Development Bank (IDB) President Al-Madani, Dr. Mohammed Hassan Salem, Head, Special Assistance Office and IDB official, Zaffar Saleem, at the richly-appointed headquarters of the IDB in Jeddah. The purpose of the meeting was to seek to develop a dialogue between the IDB and USG as directed in ref A.

[1](#)3. (U) Biographical note: Ahmad Mohamed Ali Al-Madani was born in Madinah, Saudi Arabia in 1928. His primary and secondary education was obtained in Saudi Arabia. He received a B.A. in Commerce from Cairo University in 1957 and a law degree from the same institution in 1959. He later studied in the United States, obtaining an M.A. in Public Administration from the University of Michigan-Ann Arbor, in [1](#)1962. He then received a Ph.D in Public Administration in Fiscal Management from State University of New York, Albany

in 1967. Al-Madani held a variety of posts in the Saudi Ministry of Education between 1958 and 1967. In that year, he became Acting Rector of King Abdulaziz University; a position he held until 1972. From 1972 until 1975, Al-Madani was Deputy Minister of Education for Technical Matters. In 1975 he became the first Director of the newly founded Islamic Development Bank. In 1993 Al-Madani left the IDB to become Secretary General of the Muslim World League. He returned to the Directorship of the Islamic Development Bank in December 1995 and has held the position since that date. Al-Madani is a widely respected figure in Saudi Arabia. He was a moderator at the Jeddah Economic Forum, held February 11-13. His appearance was met by an effusive introduction and a prolonged round of applause from the audience. End Biographical note.

CONSUL GENERAL RECEIVES CORDIAL AND CANDID MEETING

14. (C) Al-Madani's reception of Consulate officers was very cordial. He welcomed USG interest in developing a routine procedure for maintaining contact between the IDB and USG through Consulate General Jeddah. In the course of the meeting, he named Dr. Mohammad Hassan Salem as the primary point of contact for the Consulate General at the IDB. He promised to forward the name of another bank officer as an alternative contact. The primary contact at Consulate General Jeddah will be the Pol/Econ Chief. Al-Madani further directed that Bank reports be sent to U.S. Consulate General Jeddah.

OPPORTUNITY FOR ADDITIONAL DIALOGUE IN MARCH

15. (C) Since this meeting, ACG Jeddah has already received several notices of projects funded in part by IDB and operating in the United States over the past several years. The documents indicate that they had been furnished to

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AmEmbassy Riyadh earlier. In a telephone conversation on February 12, IDB official Zaffar Saleem and Pol/Econ Chief made preliminary arrangements for the latter to visit the IDB in March and meet IDB Divisional Directors in order to enhance future dialogue. (Note: Saleem is an American citizen, long associated with the Consulate General and other American organizations in the region. He was instrumental in arranging the February 7 meeting and has been tireless in promoting American ties with Saudi Arabia and the IDB. End note.)

AID TO IRAQ

16. (C) In discussing IDB activities in Iraq and Afghanistan, Al-Madani pointed out that they are both members of the IDB. He assured CG that the IDB is engaged only in humanitarian projects in Iraq. The IDB has recently concluded a Memorandum of Understanding with the Iraqi government to settle projects outstanding from the Saddam Regime. He announced that approximately two weeks ago, IDB and Iraq agreed on a new project for the construction of schools throughout the country. These projects are being constructed on the basis of loans.

AID TO AFGHANISTAN

17. (C) Before the American invasion, Afghanistan was the recipient of IDB assistance operations. They have resurrected this relationship with the Karzai government. The IDB now believes that its activities in Afghanistan have returned to normal, offering both grants and loans. The primary objective of these projects is construction of roads and schools.

AID TO PAKISTAN EARTHQUAKE VICTIMS

18. (C) In response to the rapidly deteriorating conditions among earthquake survivors in Pakistan, the IDB is making a

concerted effort to supply tents for shelter, including tents specially designed to house schools and hospitals. The President is taking a personal interest in this effort. He related that while traveling a few weeks ago, he saw an article in the International Herald Tribune which showed Pakistani children attempting to study in the frigid weather. Al-Madani thereupon personally directed the bank to hasten shipments of tents to the area, including to the village cited in the widely disseminated article. He told the CG he hopes to visit the town himself in two weeks when he is in Pakistan to visit President Musharraf.

AID TO PALESTINE AUTHORITY

¶9. (C) The Palestine Authority is also a member of the IDB. Al-Madani stated the Bank will continue to deal with the Palestinian Authority. The CG assured the officials present that the USG wished to continue to assist Palestinians, working through President Abbas. She then asked IDB how it planned to work with HAMAS, a group identified by the international community as terrorists. Al-Madani's answer was circumspect. He stated that the national government designates the authorities with which the IDB operates. He was uncertain of the formula for dealing with outsiders. He then changed the subject, relating that he was encouraged that Israel was continuing to transfer funds to the PA.

¶10. (C) COMMENT: From the President's elusive statements (contrast information above with description of project management process in paragraph 12), it is clear that the IDB realizes the delicacy of the situation. They do not want to transfer funds to proscribed groups, but they are also anxious to assist the Palestinians. They appear to be casting about for a solution that is acceptable to the international community, but which allows the Bank to continue providing aid to the Palestinians. If USG could suggest a formula, it is conceivable that the IDB would be willing to adopt those safeguards. END COMMENT.

MANAGEMENT, PROJECT SELECTION, AUDITS AND OTHER PRECAUTIONS

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¶11. (C) This introduced the subject of Bank membership, management, project selection and auditing standards adopted by the IDB to forestall the improper use of funds. Al-Madani claimed that the Bank's operations are "completely transparent." Membership in the IDB is predicated on membership in the Organization of the Islamic Conference (OIC). All OIC members are presumed to be qualified for membership in the IDB. Prospective members then must ratify the IDB agreement and make an investment in the capital of the Bank. All member-states have a representative on the Board of Governors which meets annually (the next annual meeting will be in Kuwait about May 30, during which the latest annual report will be presented) and an Executive Board, responsible for day-to-day management, which meets at approximately 6 week intervals. During either of these meetings any member may raise questions or request a review of a project. The bank does not permit cash transactions. It makes payments directly to contractors, rather than supplying funds to the project beneficiary. On some occasions, Al-Madani related, the IDB will reimburse a member government for project expenses already incurred by the local authorities.

PROJECT SELECTION AND IMPLEMENTATION

¶12. (C) Most, but not all, projects occur within member states. Potential projects may be proposed by a member country, be nominated by identification missions sent out by the IDB, or as a result of meetings with other aid agencies. The executive board debates prospective projects and then votes on selection. Implementation is a joint undertaking between the bank and member states. Members contribute to and monitor the projects. All projects are undertaken with

the knowledge and cooperation of the local, national government. The national authorities must give a clearance for all projects before the Bank will grant its approval. IDB projects may be carried out with local partner organizations, but all internal activities are made known to and monitored by the host country authorities, which have a veto over organizations with which the IDB partners.

¶13. (C) COMMENT: While the bank's operations generate a paper trail, this trail is only as good as the paper it is printed on. Substantial autonomy appears to be accorded to member governments in designating the organizations with which the IDB may develop projects, and it is not yet clear who conducts the audits. It may be that oversight is only as good as the host government is willing to enforce. There was reluctance to question the actions of implementing partners and the contents of audits may be accepted at face value. END COMMENT.

MADRASES AND HATE LITERATURE

¶14. (C) In reply to the CG's inquiry into the possibility that IDB funds could be used by mosques to propagate hate speech and literature, the President responded immediately that the IDB does not fund mosques. However, after clarification, it transpires that IDB will not finance mosques, but it will finance madrases that are attached to mosques. The IDB distances itself from this issue, which it professed to deplore, by pointing out that it only provides assistance in funding construction and does not support operations. The curriculum, Al-Madani asserted, is dictated by local authorities. However, he also noted that IDB funded schools must be formally non-sectarian. The IDB insists that everyone be admitted to schools they finance, without regard to race, nationality, or religion; although, as a practical matter, in most regions in which the IDB operates, the population is virtually all Muslim. COMMENT: Under these procedures, it would remain for the U.S. and others seeking to restrain hate speech to find ways to directly or indirectly pressure the local educational authorities. END COMMENT.

IDB RELATIONS WITH KINGDOM OF SAUDI ARABIA GOVERNMENT

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¶15. (C) The IDB was established in 1975 by 22 founding member states, including the Kingdom of Saudi Arabia. The Saudi government is the largest contributor of the current 57 member states, contributing approximately 25% of the Bank's capital and budget. KSA is also the host country and operations are governed by a host country agreement. There are 7 major shareholders including Saudi Arabia, Kuwait, Libya, Turkey, Iran, Egypt, and UAE. Gfoeller